

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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R 061045Z MAY 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 7402

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

US MISSION OECD PARIS

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, MTN, EEC, IT

SUBJECT: ITALIAN TRADE POLICY FORMULATION

PASS AGRICULTURE, COMMERCE AND STR

1. SUMMARY. WITHIN THE GOI, MINISTRIES OF FOREIGN AFFAIRS AND FOREIGN TRADE TEND TO SUPPORT LIBERAL TRADE POLICIES AND RESIST PROTECTIONISM (EXCEPT IN AGRICULTURAL SECTOR), WHILE MINISTRIES OF AGRICULTURE AND INDUSTRY VIEW THEIR ROLE AS

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PROTECTOR OF PRODUCER INTERESTS AND, IN CASE OF AGRICULTURE, ALSO AT TIMES REFLECT CONCERN FOR MAINTAINING LOCAL CHRISTIAN

DEMOCRATIC POLITICAL BASE. USG OBJECTIVES ARE MUCH MORE LIKELY TO BE SHARED BY MINISTRIES OF FOREIGN AFFAIRS AND FOREIGN TRADE THAN BY MINISTRIES OF AGRICULTURE AND INDUSTRY. REPRESENTATIONS TO GOI ON TRADE POLICY/PROBLEMS SHOULD BE DIRECTED PRIMARILY AT FORMER TWO MINISTRIES AND PRESENTED TO COINCIDE TO MAXIMUM EXTENT POSSIBLE WITH GOI INTERESTS. END SUMMARY.

2. FOUR MINISTRIES -- FOREIGN AFFAIRS (MFA), FOREIGN TRADE (MFT), AGRICULTURE AND FORESTS (MAF) AND INDUSTRY, COMMERCE AND HANDICRAFTS (MIC) -- HAVE KEY ROLES IN ITALIAN TRADE POLICY/PROBLEMS. MFA AND MFT SHARE RESPONSIBILITY FOR OVERALL TRADE POLICY, WITH MFT FOCUSING MORE ON TECHNICAL GATT, OECD AND EC MATTERS AND MFA PROVIDING OVERALL FOREIGN POLICY GUIDANCE AND KEEPING A CLOSE EYE ON POLICY PROBLEMS INVOLVING THE EC AND THE US. MAF AND MIC ARE PRIMARILY CONCERNED ABOUT PROBLEMS AFFECTING PARTICULAR AGRICULTURAL AND INDUSTRIAL PRODUCTS, RESPECTIVELY, ALTHOUGH MAF PLAYS LEADING ROLE VIS-A-VIS THE COMMON AGRICULTURAL POLICY (CAP). OTHER MINISTRIES MAY AT TIMES ENTER THE PICTURE: MINISTRY OF FINANCE WHEN CUSTOMS DUTIES OR PRIOR IMPORT DEPOSITS ARE CONCERNED AND MINISTRY OF STATE PARTICIPATION WHEN A GOI-OWNED COMPANY IS INVOLVED. WHEN INTERESTED MINISTRIES CANNOT AGREE ON A POSITION AND FOR MATTERS OF MAJOR IMPORTANCE, THE COUNCIL OF MINISTERS (WITH ACTIVE PARTICIPATION BY THE PRIME MINISTER'S OFFICE) DETERMINES THE GOI POSITION.

3. MFT'S ROLE IS SOMEWHAT ENHANCED BY VIRTUE OF MFT REPRESENTATIVES BEING PERMANENTLY STATIONED IN BRUSSELS (EC), GENEVA (GATT) AND PARIS (OECD). SENIOR MFT OFFICIALS ARE IN FREQUENT TELEPHONE CONTACT WITH THESE MFT REPS. CONSEQUENTLY, MFT HAS ABILITY TO PROVIDE ON SHORT NOTICE ITS OWN VIEWPOINT (WHICH IS NOT ALWAYS IDENTICAL TO THAT OF MFA) ON MATTERS BEFORE THE EC, GATT AND OECD. MFA, OF COURSE, HAS EVEN BETTER COMMUNICATIONS WITH THESE AND OTHER POSTS.

4. MFA AND MFT GENERALLY TEND TO SUPPORT (WITH NOTABLE EXCEPTION OF AGRICULTURAL SECTOR) LIBERAL POLICIES AND TO LIMITED OFFICIAL USE
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OPPOSE PROTECTIONISM. THIS IS NOT SURPRISING, GIVEN ITALY'S EXPORT-ORIENTED INDUSTRIAL SECTOR AND NEARLY TOTAL DEPENDENCE ON IMPORTED RAW MATERIALS. MFA AND MFT USUALLY CONSIDER SPECIFIC TRADE PROBLEMS WITH BOTH IMMEDIATE AND LONGER-TERM ITALIAN INTERESTS IN MIND. IN FACE OF CURRENT UNFAVORABLE ECONOMIC SITUATION, MFT HAS BEEN VERY SUCCESSFUL IN IGNORING PLEAS FROM PRODUCER GROUPS FOR INCREASED PROTECTION FROM FOREIGN COMPETITORS (SEE 75 ROME 17240). MFT, WITH FEW EXCEPTIONS, IS NOW STAFFED AT KEY OFFICE DIRECTOR LEVEL WITH HIGHLY COMPETENT YOUNGER

OFFICERS WHO HAVE EXCELLENT TECHNICAL BACKGROUND/EDUCATION IN ECONOMICS.

5. MAF AND MIC USUALLY VIEW THEIR ROLE AS PROTECTOR OF SPECIFIC PRODUCER INTERESTS. THIS IS PARTICULARLY TRUE OF SENIOR BUREAUCRATS AT MIC, SOME OF WHOM ARE NOW APPROACHING RETIREMENT AGE. MIC RESISTANCE, FOR EXAMPLE, WAS BASIC REASON WHY GOI SO STRONGLY OPPOSED MEANINGFUL CONCESSIONS TO U.S. ON KRAFT PAPER DURING GATT ARTICLE XXIV:6 NEGOTIATIONS. MAF REFLECTS AND PROTECTS PRODUCER INTERESTS, WHICH TEND TO BE MOST CLOSELY IDENTIFIED WITH CHRISTIAN DEMOCRATS (DC), WHO HAVE CONTROLLED MAF THROUGHOUT THE POSTWAR PERIOD. ITALIAN "HOLDOUT" ON CITRUS AND TOBACCO IN GATT ARTICLE XXIV:6 NEGOTIATIONS REFLECTED SOME OF THESE POLITICAL CONCERNS, I.E., FEAR THAT CONCESSIONS ON THESE COMMODITIES MIGHT ERODE DC SUPPORT IN AREAS (TRADITIONALLY SUPPORTIVE OF DC) WHERE THESE PRODUCTS ARE PRODUCED. UNFORTUNATELY FOR USG, ON SPECIFIC COMMODITY PROBLEMS MAF AND MIC POSITIONS ONLY INFREQUENTLY CONTESTED BY MFA AND MFT AND ONLY RARELY OVERRULED BY COUNCIL OF MINISTERS WHEN ISSUE HAS BEEN RAISED TO THAT LEVEL. MFA, WHICH NOW HAS VERY COMPETENT OFFICERS MANNING EC-GATT POSITIONS IN ECONOMIC AFFAIRS DIRECTORATE GENERAL, HAS RECENTLY SHOWN WILLINGNESS TO TAKE ON MAF AND MIC ON ISSUES WHICH MIGHT AFFECT ITALY'S LONGER-TERM EC INTERESTS.

6. THERE IS NO RPT NO EFFECTIVE PROPONENT OF CONSUMER INTERESTS IN ITALY WITH A MEANINGFUL VOICE IN TRADE POLICY FORMULATION. ALTHOUGH ORGANIZED LABOR COMES CLOSEST TO FULFILLING SUCH A ROLE, NEITHER THE LABOR UNIONS NOR THE MINISTRY OF LABOR HAVE (AT LEAST IN THE PAST) BEEN LIMITED OFFICIAL USE
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CONSULTED WHEN DETERMINING THE GOI POSITION ON TRADE POLICY ISSUES/PROBLEMS. CONSEQUENTLY, CONSUMER INTERESTS TEND TO BE DISREGARDED BY THE GOI, UNLESS SUPPORTIVE OF A POSITION ADOPTED FOR OTHER REASONS BY ONE OF THE INTERESTED MINISTRIES, IN THE FORMULATION OF TRADE POLICY.

7. EMBASSY BELIEVES THAT SUCH USG PRESSURE AS MAY BE REQUIRED TOWARDS GOI IN FURTHERANCE OF USG OBJECTIVES IN MTN AND/OR OTHER TRADE PROBLEMS COULD BE MOST PRODUCTIVELY APPLIED AT MFA AND MFT; WE SHOULD NOT IGNORE MAF AND MIC BUT SHOULD REALIZE THAT THESE MINISTRIES ARE UNLIKELY TO BE HELPFUL UNLESS THEIR OWN INTERESTS ARE SERVED. USG MUST ALWAYS KEEP IN MIND HOW USG DESIDERATA WILL AFFECT ITALY'S EC RELATIONS/OBJECTIVES AND THAT ITALY STRONGLY DISLIKES BEING ISOLATED WITHIN EC ON ANY ISSUE. ALTHOUGH ITALIAN TIES WITH U.S. ARE CLOSE AND U.S. AND ITALY SHARE MANY INTERESTS, ON TRADE ISSUES ITALY'S TIES TO EC ARE CLOSER AND MUTUALITY OF INTERESTS IS GREATER; GOI TENDS TO SIDE WITH ITS EC

PARTNERS RATHER THAN USG WHEN A CHOICE MUST BE MADE. USG APPROACHES TO GOI ON TRADE POLICY/PROBLEMS SHOULD, IF POSSIBLE, BE TAILORED TO COINCIDE TO MAXIMUM EXTENT POSSIBLE WITH PERCEIVED GOI INTERESTS.

8. EMBASSY ALSO BELIEVES THAT USG APPROACH TO HIGHEST GOI LEVEL ON TRADE POLICY/PROBLEMS SHOULD BE KEPT TO ESSENTIAL MINIMUM AND USED ONLY WHEN OTHER CHANNELS HAVE NOT PRODUCED RESULTS; USG OVERPLAYED THIS CARD IN XXIV:6 NEGOTIATIONS.VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, POLICIES, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME07365
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760177-0270
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760584/aaaactpc.tel
Line Count: 179
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by CollinP0>; APPROVED <27 JUL 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN TRADE POLICY FORMULATION PASS AGRICULTURE, COMMERCE AND STR
TAGS: ETRD, IT, US, EEC, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006